

Message Text

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ACTION EB-07

INFO OCT-01 AF-08 ISO-00 XMB-02 TRSE-00 CIAE-00 INR-07

NSAE-00 /025 W

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R 101207Z MAY 76

FM AMCONSUL LUBUMBASHI

TO SECSTATE WASHDC 1839

INFO USDOC

AMEMBASSY KINSHASA

C O N F I D E N T I A L LUBUMBASHI 070

DEPT PASS EXIMBANK

E.O. 11652: GDS

TAGS: EMIN, ECON, CG

SUBJECT: GECAMINES: A REPRIEVE FOR THE GOLDEN GOOSE?

REF: LUB A-20

1. AS REPORTED IN REFAIR, GECAMINES HAS HAD CONSIDERABLE DIFFICULTY IN GETTING SUFFICIENT FOREIGN EXCHANGE FOR ITS ESSENTIAL IMPORTS FROM THE BANK OF ZAIRE. SINCE THE BEGINNING OF THE YEAR IT HAS BEEN RECEIVING ONLY ABOUT 35 PERCENT OF ITS NORMAL FOREX ALLOCATION, AND REPEATED DEMARCHES TO THE CENTRAL BANK HAVE PRODUCED NO RESULTS.

2. GECAMINES OFFICIALS HAVE BECOME INCREASINGLY FRUSTRATED WITH THE BANK. ON AT LEAST ONE OCCASION THE COMPANY WAS FLATLY RE-BUFFED. WHEN IT PRESENTED IN MARCH A PROPOSAL FOR A REGULAR ALLOCATION OF A SPECIFIC PERCENTAGE OF SOZACOM COPPER SALES. ACCORDING TO ONE GECAMINES OFFICIAL THEY WERE TOLD TO FORGET IT.

3. TOWARDS THE END OF LAST MONTH GECAMINES' FINANCIAL DIRECTOR, WHO IS NORMALLY VERY RETICENT TO TALK ABOUT THE COMPANY'S OPERATIONS OR PROBLEMS, PREDICTED TO THE CONSULATE THAT IF FOREX ALLOCATIONS CONTINUED AT THE PRESENT RATE, GECAMINES WOULD BE

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FORCED TO HALT ALL PRODUCTION WITHIN THREE MONTHS. THIS, HE

CLAIMED WOULD BE PRIMARILY DUE TO THE COMPANY'S INABILITY TO OBTAIN ESSENTIAL SPARE PARTS.

4. LAST WEEK GECAMINES' DELEGUE GENERALE UMBA KYAMITELA TOOK HIS CASE TO THE PRESIDENT, MEETING WITH HIM ON APRIL 26. HE HAS TOLD US THAT THE PRESIDENT ACCEPTED HIS EXPLANATIONS AND HIS ANALYSIS OF THE GRAVITY OF THE SITUATION AND ASSURED HIM THAT INSTRUCTIONS WOULD BE ISSUED TO THE CENTRAL BANK TO PROVIDE GECAMINES WITH AT LEAST ITS MINIMUM FOREX REQUIREMENTS.

5. UMBA RETURNED TO LUBUMBASHI MAY 3, AND THE COMPANY IS NOW WAITING TO SEE IF THE PROMISE IS TRANSLATED INTO ACTION. SOME SENIOR GECAMINES OFFICIALS REMAIN PESSIMISTIC POINTING OUT THAT THEY HAVE RECEIVED THESE PROMISES BEFORE, ALTHOUGH PERHAPS NOT FROM SO HIGH A LEVEL. IN ANY EVENT, THE FOREX PROBLEM CONTINUES TO RESTRAIN COPPER PRODUCTION. PERHAPS MORE IMPORTANT, IT RENDERS IMPOSSIBLE THE BUILDING OF STOCKS OF RAW MATERIALS SUCH AS COAL AND DIESEL OIL WHICH ARE REQUIRED TO GUARD AGAINST THE MORE SEVERE WORK STOPPAGES WHICH WOULD BE CAUSED BY ANY TEMPORARY OR PERMANENT CUT-OFFS OF REGULAR SUPPLIES.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, INDUSTRIAL PRODUCTION, FOREIGN EXCHANGE
Control Number: n/a
Copy: SINGLE
Draft Date: 10 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LUBUMB00070
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760179-1080
From: LUBUMBASHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760572/aaaackbf.tel
Line Count: 82
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 06 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 JUL 2004 by ShawDG>; APPROVED <07 JUL 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GECAMINES: A REPRIEVE FOR THE GOLDEN GOOSE?
TAGS: EMIN, ECON, CG, GECAMINES
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006